

DESOTO HABILITATION SERVICES, INC.
(a nonprofit corporation)
Mansfield, Louisiana

FINANCIAL STATEMENTS
June 30, 2011 and 2010

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date **FEB 22 2012**

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Mansfield, Louisiana
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Independent Accountant's Compilation Report

To the Board of Directors
DeSoto Habilitation Services, Inc.
Mansfield, Louisiana

I have compiled the accompanying statements of financial position of DeSoto Habilitation Services, Inc. (a nonprofit corporation), as of June 30, 2011 and 2010, and the related statements of activities, functional expenses and cash flows for the years then ended. I have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

The management of DeSoto Habilitation Services, Inc. is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

My responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist the management of DeSoto Habilitation Services, Inc. in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

Deborah D. Dees, CPA

Certified Public Accountant
Mansfield, Louisiana

February 7, 2012

DESOTO HABILITATION SERVICES, INC.**STATEMENTS OF FINANCIAL POSITION**

June 30, 2011 and 2010

ASSETS	2011	2010
Current Assets		
Cash	\$ 30,546	\$ 103,878
Police Jury receivable	60,000	-
Accounts receivable	14,379	21,539
Total Current Assets	<u>104,925</u>	<u>125,417</u>
Property, Plant & Equipment		
Buildings	282,072	282,072
Land	8,000	8,000
Furniture and fixtures	3,856	3,856
Machinery and equipment	26,414	25,529
Vehicles	154,721	154,721
Sheltered workshop equipment	30,529	30,529
Total Property, Plant & Equipment	<u>505,592</u>	<u>504,707</u>
Less Accumulated depreciation	<u>(305,278)</u>	<u>(296,677)</u>
Net Property, Plant & Equipment	<u>200,314</u>	<u>208,030</u>
Other Assets		
Utility deposits	50	50
Total Other Assets	<u>50</u>	<u>50</u>
TOTAL ASSETS	\$ <u>305,289</u>	\$ <u>333,497</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 7,532	\$ 5,824
Payroll taxes payable	2,414	4,725
Total Current Liabilities	<u>9,946</u>	<u>10,549</u>
Net Assets		
Unrestricted		
Board operation fund	6,475	10,141
Fixed assets	200,313	208,030
Designated for programs	88,555	104,777
Total unrestricted net assets	<u>295,343</u>	<u>322,948</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>305,289</u>	\$ <u>333,497</u>

DESOTO HABILITATION SERVICES, INC.

STATEMENTS OF ACTIVITIES

June 30, 2011 and 2010

Unrestricted Net Assets	2011	2010
Revenues and other support		
DeSoto Parish Police Jury	\$ 100,000	\$ 30,000
Community homes - contractual	13,752	49,190
Medicaid	115,396	187,069
United Way	11	6
Membership dues	3,212	4,137
Interest and dividend income	131	285
Program service income - sheltered workshop	34,202	61,528
Miscellaneous	10,280	3,533
Total increase in net assets	276,984	335,748
Expenses		
Program Services		
Adult habilitation services	271,307	316,673
Sheltered workshop	32,352	45,305
Other programs	930	971
Total decrease in unrestricted net assets	304,589	362,949
Net increase (decrease) in unrestricted net assets	(27,605)	(27,201)
Unrestricted net assets, beginning of year	322,948	350,149
Unrestricted net assets, end of year	\$ 295,343	\$ 322,948

DESOTO HABILITATION SERVICES, INC.**STATEMENT OF FUNCTIONAL EXPENSES**

For the Year Ended June 30, 2011

	Adult Habilitation Service	Sheltered Workshop	Other Programs
Bank charges	\$ 634	\$	\$
Client expenses	674	2,861	
Depreciation	8,229	372	
Drug testing	350		
Dues and subscriptions	139		
Employee benefits	452		
Fuel	26,450		
Insurance	44,437		
Licenses and permits	98		
Maintenance of vehicles	18,071		
Office expenses and supplies	5,152		
Payroll tax expense	9,797		
Professional fees	7,090		
Repairs and maintenance	6,782	-	
Salaries and wages	121,433	19,232	
Security	2,780		
Staff training	310		
Supplies		9,887	
Telephone	5,955		
Travel	370		
Utilities	12,104		
Other expenses			930
Total program services expenses	\$ <u>271,307</u>	\$ <u>32,352</u>	\$ <u>930</u>

DESOTO HABILITATION SERVICES, INC.**STATEMENT OF FUNCTIONAL EXPENSES**

For the Year Ended June 30, 2010

	Adult Habilitation Service	Sheltered Workshop	Other Programs
Bank charges	\$ 298	\$	\$
Client expenses	1,934	2,925	
Depreciation	9,005	709	
Drug testing	88		
Dues and subscriptions	207		
Employee benefits	739		
Fuel	25,342		
Insurance	43,352		
Licenses and permits	110		
Maintenance of vehicles	16,235		
Office expenses and supplies	7,723		
Payroll tax expense	14,238		
Professional fees	11,292		
Repairs and maintenance	2,493	-	
Salaries and wages	165,089	23,652	
Security	3,235		
Staff training	27		
Supplies		18,019	
Telephone	5,560		
Travel	341		
Utilities	9,365		
Other expenses			971
Total program services expenses	\$ <u>316,673</u>	\$ <u>45,305</u>	\$ <u>971</u>

See accountant's compilation report and notes to the financial statements.

DESOTO HABILITATION SERVICES, INC.**STATEMENT OF CASH FLOWS**

For the Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in unrestricted net assets	\$ (27,605)	\$ (27,201)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation	8,601	9,714
Losses (gains) on sales of fixed assets		
Decrease (increase) in operating assets		
Accounts receivable	7,160	5,983
Police Jury receivable	(60,000)	42,000
Prepaid		416
Increase (decrease) in operating liabilities		
Accounts payable	1,708	2,400
Payroll tax liabilities	(2,311)	3,299
Total adjustments	<u>(44,842)</u>	<u>63,812</u>
Net cash provided by (used in) operating activities	<u>(72,447)</u>	<u>36,611</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in fixed assets	<u>(885)</u>	<u>(1,862)</u>
Net cash provided by (used in) investing activities	<u>(885)</u>	<u>(1,862)</u>
NET INCREASE (DECREASE) IN CASH	<u>(73,332)</u>	<u>34,749</u>
CASH AT BEGINNING OF PERIOD	<u>103,878</u>	<u>69,129</u>
CASH AT END OF PERIOD	<u>\$ 30,546</u>	<u>\$ 103,878</u>

DESOTO HABILITATION SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

Note A. Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

DeSoto Habilitation Services, Inc. is a nonprofit corporation organized under the laws of the State of Louisiana. Formerly the Arc of DeSoto, DeSoto Habilitation Services, Inc. was established to provide habilitation services to developmental disabled persons ages 18 years and older within DeSoto Parish, Louisiana. These activities are reported under the Adult habilitation services program. DeSoto Habilitation Services, Inc. also provides vocational services reported as the Sheltered workshop program in which the clients can work and earn wages for such things as lawn care, janitorial services, cooking and ironing. The organization is primarily supported through Medicaid payments. Approximately 42% and 56% of DeSoto Habilitation Services, Inc.'s support for the years ended June 30, 2011 and 2010, respectively, came from this agency. The DeSoto Parish Policy Jury contributed 36% and 9% of DeSoto Habilitation Services, Inc.'s support for the years ended June 30, 2011 and 2010, respectively.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements for Not-for-Profit Organizations*. Under SFAS No. 117, DeSoto Habilitation Services, Inc. is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. DeSoto Habilitation Services, Inc. has not received any revenues or contributions with restrictions that would result in permanently restricted net assets. SFAS No. 117 also requires a not-for-profit organization to provide information about expenses by functional classifications. The Statement of Activities presents the expenses charged directly to program or supporting services based on specific identification.

Cash and/or Cash Equivalents

For the purposes of the statement of cash flows, DeSoto Habilitation Services, Inc. considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. The carrying value of cash approximates fair-value because of the liquidity of those financial instruments. The Federal Deposit Insurance Corporation as of June 30, 2011 insures the checking accounts at each institution. The Board has a checking account for contributions that is used solely for client expenses.

Property and Equipment

Property and equipment are carried at cost or if donated, at the approximate fair value at the date of donation. The State of Louisiana has a reversionary interest in property purchased with state funds. Its disposition as well as the ownership of any proceeds therefore is subject to state regulations.

DeSoto Habilitation Services, Inc. follows the practice of capitalizing, at cost, all expenditures for fixed assets in excess of \$500. Depreciation is computed using the straight-line method over the estimated useful life of each asset generally as follows:

Buildings and improvements	31.5 years
Furniture and equipment	7 years
Vans	5 years

The net fixed asset balance has been recorded as a separate component in unrestricted net assets. Depreciation expense for June 30, 2011 and 2010 is \$8,601 and \$9,714, respectively.

DESOTO HABILITATION SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

Accounts Receivable

DeSoto Habilitation Services, Inc carries its accounts receivable at cost. The agency considers all receivables to be fully collectible, accordingly, no allowance for doubtful accounts is required.

Income Taxes

DeSoto Habilitation Services, Inc is a nonprofit corporation and is exempt from state and federal income taxes under Section 501(c) (3) of the Internal Revenue Code. No provision for income taxes has been made in these financial statements. However, income from certain activities not directly related to the tax-exempt purposes of the Association is subject to taxation as unrelated business income. DeSoto Habilitation Services, Inc had no such income for this audit period.

Revenue and Support

DeSoto Habilitation Services, Inc receives its support primarily from Medicaid reimbursements. The DeSoto Parish Police Jury granted DeSoto Habilitation Services, Inc an unrestricted grant of \$40,000 and \$100,000 for the fiscal years ended 2011 and 2010, respectively. Revenue is reported as unrestricted support due to the restrictions placed on those funds by the funding sources being met in the same reporting period as the revenue is earned. DeSoto Habilitation Services, Inc receives other contractual revenue from local community homes for the services provided to their clients.

Contributions of donated non-cash assets are recorded at their fair value in the period received. Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. DeSoto Habilitation Services, Inc had no temporarily or permanently restricted net assets for years ended June 30, 2011 and 2010.

Retirement Obligations

The employees of DeSoto Habilitation Services, Inc participate in a 401(k) thrift plan. DeSoto Habilitation Services, Inc will match 50% of the first 6% of salary contributed by the employee, and the employee is fully vested in five years. DeSoto Habilitation Services, Inc.'s contributions for 2011 and 2010 are \$452 and \$739, respectively.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Compensated Absences

Compensated absences are not recorded in the financial statements because all employees take the same week of vacation in June and 10-day vacation in December. Leave is accumulated but if not used, is only paid if the employee is terminated; therefore the amount cannot be reasonably estimated.

DESOTO HABILITATION SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2011, and 2010

Note B. Accounts Receivable

The accounts receivable consists of the following for the years ended June 30

	<u>2011</u>	<u>2010</u>
Community Homes	3,416	-
Medicaid	10,963	21,539
	<u>\$ 14,379</u>	<u>\$ 21,539</u>

Note C. Contingency/ Subsequent Events and Management Plans

In fiscal year ending June 30, 2007, DeSoto Habilitation Services, Inc. changed from a fixed state contract to direct Medicaid reimbursements based on client attendance. The following is a summary of the change in net assets for the adult habilitation services of the agency for the last five years. This table does not include revenues or expenses attributed to the sheltered workshop.

For years ending June 30,

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Medicaid revenue	\$ 208,170	\$ 198,080	\$ 194,659	\$ 187,069	\$ 115,396
Community home revenue	40,992	40,992	42,358	49,190	13,752
Other revenues	19,590	17,783	7,550	7,961	13,765
Adult habilitation services expenses	(340,409)	(336,346)	(323,476)	(316,673)	(271,307)
Decrease in net assets due to adult habilitation before grant	<u>(69,650)</u>	<u>(77,483)</u>	<u>(76,900)</u>	<u>(70,443)</u>	<u>(126,383)</u>
DeSoto Police Jury grant revenue	-	-	108,000	30,000	100,000
Net increase(decrease)	<u>\$ (69,650)</u>	<u>\$ (77,483)</u>	<u>\$ 31,100</u>	<u>\$ (40,443)</u>	<u>\$ (26,383)</u>

As reflected in the above table, the DeSoto Parish Policy Jury grant has allowed the agency to continue operating until the date of this report, February 7, 2012. The DeSoto Parish Police Jury has not included a grant for the DeSoto Habilitation Services, Inc. in their December 31, 2012, year-end budget. These factors have created an uncertainty about the organization's ability to continue operations and continue as a going concern. The financial statements do not include any adjustments that might be necessary if DeSoto Habilitation Services, Inc. is unable to continue.

Management and the Board continue pursuing new clients, additional grant funding and operating revenue sources to establish an adequate cash flow and are reviewing expenditures for possible reductions.

DeSoto Habilitation Services, Inc.
Schedule of Findings
For the Year ended June 30, 2011

CURRENT FINDING RELATED TO COMPLIANCE

2011/10-01; 2009-06. 2008-04 (unresolved). Violation of the Louisiana Audit Law

Criteria Louisiana Revised Statutes require the DeSoto Arc to submit annual financial statements to the Louisiana Legislative Auditor within six (6) months of the end of the fiscal year

Finding DeSoto Habilitation Services, Inc failed to submit the annual financial statements for years ending June 30, 2010 and 2011 within the required time

Recommendation In the future, if DeSoto Habilitation Services, Inc is required to submit financial statements to the Legislative Auditor, the information should be available to the certified public accountant in time to file before the deadline

Summary of prior year's findings

Prior findings (June 30, 2009 was the last year financial statements were filed)

2009-01. Inadequate design of internal control over financial statement preparation. Resolved.

2009-02. Insufficient Board of Director's minutes Resolved.

2009-03 Inadequate segregation of duties. Resolved.

2009-04 Deficient payroll controls. Resolved

Employees are now required to turn in timesheets that reflect hours worked Van driver pay has been reevaluated and pay and time sheets reflect accurate time and appropriate overtime Payroll checks are now issued to employees after the pay period ends Leave time has been discussed with the employees

2009-05. Ineffective oversight of Medicaid billing. Resolved after June 30, 2011.